

**COLLABORATING TO SUCCEED  
IN THE NEW ECONOMY**

*Principles from the La Jolla Retreat*

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## **Introduction**

In December, 1998 The James Irvine Foundation sponsored a retreat for the members and technical advisors of the California Economic Strategy Panel (Panel) and policy-makers representing local and state government and education and workforce development systems. The objective of the retreat was to reflect on the role, approach, impact and lessons learned during the first four years of the Panel. The purpose of the retreat and subsequent dialogue was to recommend a role of state government in the new economy and the role of the Panel in the new Governor's Administration.

The following provides a summary of an ongoing discourse about the new economy, the future role of state government and the Panel as well as the impact of the Panel's findings and recommendations.

## **Principles of the New Economy**

A key finding of the Panel's seminal work is that "California's economy has changed in fundamental ways in the past decade, and California's business, government, education and community leaders must respond in equally fundamental ways if the state is to retain its competitive edge in the 21<sup>st</sup> Century." The principles in the new economy are described below.

- California has a new economy that is fast, flexible, global, networked, and knowledge-based. This new economy is not only a set of new industries, but new sources of competitive advantage faced by all industries—from apparel to agriculture, from entertainment to forestry, from software to telecommunications.
- This new economy is an "economy of regions" driven by different industry clusters—concentrations of firms that create wealth in regions. Regions are not defined by political boundaries, but by common economic interests. They can even transcend international borders, creating bi-national economic regions such as the San Diego/Baja California region.
- This new economy holds tremendous economic opportunity for California, and the state and its residents are well-positioned to continue in a leadership role. However, the new economy also creates tremendous social and economic challenges that must be addressed if this potential is to be fully realized.
- Rapidly changing skill demands, highly volatile market conditions, and intense global competition in the new economy result in many people facing tenuous employment and uncertain career opportunities. Growing structural divides between global knowledge-based industries and local labor-intensive industries create economic and social inequity which entrenches a two-tier society.

- The new economy is fundamentally different from the California economy of a decade ago. It needs constant attention, in good times and bad, through a long-term continuous improvement strategy. It needs creative thinking and a strategic outlook to address the substantial challenges of ensuring that prosperity is increasingly shared by all.

### **Role of State Government in the New Economy**

The economy cannot be taken for granted. If the economy falters, business, labor and communities are harmed, revenues decline and government's ability to address social issues such as education and infrastructure is limited. It is critically important that the Governor is perceived as a leader for the economy, by an understanding of what makes the new economy succeed and by taking action, in collaboration with private sector leaders, to facilitate the growth and competitiveness of California's new economy. A role for state government in the new economy includes:

- It is imperative for the Governor and Legislature to understand what is happening in this new economy and respond to these changes in innovative ways to ensure the continued economic viability and quality of life of our state.
- Over the last four years, the California Economic Strategy Panel has listened to more than 600 leaders from California's industry clusters and diverse regions, conducted research on changing regional economies, served as an intelligent interpreter of trends, and recommended long-term strategies based on this new understanding of the economy. The Panel's first report *Collaborating to Compete in the New Economy: An Economic Strategy for California* is widely recognized as a landmark statement on the state's changing role in the economy.
- The Panel has served as an important link between the state and emerging collaborative regional initiatives in regions as diverse as San Diego, Los Angeles, Silicon Valley, the Central Valley, the North Coast, and the Sierra Nevada. The Panel has listened to regional issues and helped translate those issues into state strategies, especially with regard to job creation and workforce issues.
- The Panel can assist the Governor and Legislature in guiding future economic strategy for California. The Panel's past success makes it well-placed for addressing the challenges of ensuring that economic development and social well-being go hand in hand in the new economy.

### **Role of the California Economic Strategy Panel**

Before most observers noticed a fundamental economic change, the Panel was successful in documenting the realities of the new economy in regions and emerging industry clusters in California and highlighted both constraints and opportunities for the state. The Panel should be utilized by the Governor as the primary tool for understanding changes in the new economy and translating those findings into recommendations for long-term economic strategy. The Governor could draw on the unique statewide expertise

represented by the Panel as a valuable resource for helping to interpret and communicate economic trends and catalyze action. The Panel has demonstrated that it can be an effective mechanism for soliciting and distilling important information in an objective, non-partisan process. The future role of the Panel includes the following:

- *The Panel should communicate "new economy principles" to government and business leaders and champion the new economy in public policy and institutions.* Tools for communicating include publications, forums and hearings. The Panel has prepared materials that greatly assisted multiple audiences in understanding changes in the California economy.
- *The Panel should act as an "interface" and liaison between the new economy and California's public, private, labor and community institutions that support the new economy.* The role of the Panel should be to promote a "continuous improvement" process between the economy, various service providers and communities. For example, the Panel helped play this role by identifying the skills needs of entertainment and multimedia clusters and then helping to reshape state workforce programs to meet those changing needs.
- *The Panel should continue its "bottom-up" process of identifying key issues by listening to leaders from industry clusters and regions across the state, and continue seeking to expand the diversity of voices and perspectives.* In its anticipatory role, the Panel needs to be an "early warning" listening post for emerging issues related to the California economy, and then, communicate them effectively. For example, when the first round of regional forums identified the priority role of workforce and education in the new economy, findings were used to guide state legislation and a more integrated approach to workforce development.
- *The Panel framework for economic development should be broadened to embrace competitiveness as a means to achieve social well-being.* The "customer" focus of the Panel should be broadened from cluster companies and institutions to include workers and residents. In addition to economic indicators, the Panel's research should focus on indicators of social well-being, such as mobility, wage distribution, and occupation structure. For example, the Panel would explore whether everyone is participating in the new economy (worker focus) and how to develop quality communities based on smart land use (resident focus).
- *The Panel must better understand the role of innovation in the economy, education, and government.* This includes the relationship between R&D, innovation, and economic development, and measuring California's effectiveness at translating R&D inputs into economic outcomes.
- *The Panel should help catalyze action on issues identified in the first phase of the Panel's outreach to regions and industry clusters, and then report back results to the customers.* For example, the Panel needs to make sure an integrated approach to workforce development meets the need of industry clusters.

- *The appointments to the Panel should reflect the highest levels of leadership from all the customers in the new economy: industry clusters, regions, and workers.* The unique value of the Panel is its public and private composition, and its bi-partisanship, from the beginning, has been a hallmark of the Panel.
- *The Panel should be funded and staffed commensurate with its responsibilities.* The Panel has proven its value to the State of California and should receive on-going general fund support, combined with private sector contributions.

## **In Retrospect**

### **Lessons Learned About the Panel Process**

- *Regions Are Evolving; Cannot Be Defined Politically.* Regions are not defined by political boundaries, but by common economic interests. They are continually changing and are very diverse. An important implication is that regions do not lend themselves to prescribed, top-down definitions.
- *Collaborating to Succeed.* The goal of economic competitiveness should be to increase social well-being and quality of life. Now is the time to move from "collaborating to compete" to "collaborating to succeed"—for companies and individuals, for regions and the state.
- *"Customer" Definition Needs Broadening.* The new economy creates change and new requirements for success, for workers and residents, as well as for businesses and other institutions. This implies that the Panel's research framework include the effects and requirements of the new economy for workers and residents, as well as for business.
- *Unique Value as "Interface."* The Panel's unique value is that it operates as the "interface" between "customers" and providers. The Panel listened and researched well, then served as an intelligent interpreter and communicator of economic trends. This "translation" and sifting through of information to discern top priorities is essential for good communication.
- *Need to "Close the Loop."* Although the Panel clearly had an impact on legislation, programs, and regional initiatives, this impact is difficult to measure and not uniform. In the new phase of the Panel's activities, it needs to be seen as catalyst for action and it needs to measure its results.

### **Assessing The Panel's Work: 1994-1998**

#### **Origin of the Panel**

- Established by the legislature in 1993, the California Economic Strategy Panel is a bi-partisan, anticipatory strategic planning process for California. Its purpose is "to develop an overall economic vision and strategy to guide long-term policy affecting our economy." It is the first-ever California economic strategy process.

- The Panel's 15 members are appointed by the Governor and Legislature and the Secretary of the California Trade and Commerce Agency serves as the Chair.
- The Panel built on the work of the Assembly Democratic Economic Prosperity Team and the Council on Competitiveness. It differed, however, in its emphasis on strategy planning as a continuous process.

### **The Panel's Approach to Its Work**

- The Panel's major innovation is its approach, which emphasized traveling throughout the state and listening to more than 600 leaders from California's industry clusters and diverse regions in a "bottom-up approach." The Panel viewed the companies and institutions that comprise the clusters as the "customers" of the state's economic strategy efforts.
- The Panel listened to leaders from a representative mix of industry clusters throughout the state, from apparel and entertainment in Los Angeles to telecommunications in San Diego, to food processing in the Central Valley, to multimedia in the Bay Area. In the future, the Panel will focus on "convergence," where strengths from multiple clusters may lead to the emergence of a whole new cluster. For example, bioscience and healthcare technology are converging with telecommunications into new clusters of telemedicine and bioinformatics.
- In addition to meeting with cluster leaders, the Panel conducted research on changing industry clusters and regional economies. The Panel served as an intelligent interpreter of trends and recommended long-term strategies based on this new understanding of the economy.
- The Panel broadcast its research findings and recommendations through its seminal report, *Collaborating to Compete in the New Economy: An Economic Strategy for California*.

### **Key Findings in *Collaborating to Compete in the New Economy: An Economic Strategy for California***

- *California's new economy is not just a set of new industries, but new sources of competitive advantage faced by all industries.* This emerging economy is fast, global, knowledge-based, and networked. This description applies as well to apparel and agriculture as it does to entertainment, software, and computing.
- *California is an economy of regions.* The networks of companies, workers, and support institutions that are the heart of this new economy tend to concentrate in regions. For example, California's biomedical industry is not really a statewide industry, but is three clusters of biomedical activity operating from three regions: San Diego, Orange County, and the Bay Area.

- *Discontinuity exists between the new economy and public, private, and third sector institutions.* This discontinuity exists on many levels: time, geography, culture, organizational structure.
- *The Panel reported three priority areas requiring improvement.* These are workforce preparation, education, and taxes/regulation/infrastructure/quality of life. All three profoundly affect the capacity and prospects of California business and economy.
- *There is a vital cycle between economy and quality of life.* Quality of life has become essential for a competitive economy, and a competitive economy has become important for quality of life.
- The report, and the Panel's research and listening process, have had significant and broad impact as documented in the report entitled *Collaborating to Succeed in the New Economy: Findings of the Regional Economic Development Survey*.

### **Impact of the Panel**

- *Good, New Information.* The Panel produced information about "what's really going on" in the new economy. The Panel's research brought focus to emerging areas of strength statewide, at a time when much attention was focused on areas of decline. The Panel "gave voice" to growing and changing industry clusters such as entertainment, apparel, multimedia, telecommunications, and segments of food processing and forestry.
- *A Link to Regional Initiatives.* Since the Panel was created, a number of collaborative regional initiatives have emerged across the state to address economic vitality and quality of life issues. These include Joint Venture: Silicon Valley, the Economic Alliance of San Fernando Valley, Sierra Business Council, San Diego Dialogue, and the Institute for the North Coast, among others. Leaders from these groups meet annually at a Civic Entrepreneur Summit, sponsored by The James Irvine Foundation. The Panel has provided one of the only state-level organizations that serves as a link between state and regional efforts.
- *Inter-agency Collaboration Around Workforce.* The Legislature passed legislation authored by Senator Patrick Johnston to develop a California Integrated Workforce Development Plan, citing the findings of the Economic Strategy Panel. The Legislation has led to a memorandum of understanding among the Department of Education, Chancellor's Office for Community Colleges, Health and Human Services Agency and the California Trade and Commerce Agency to develop a strategy for an integrated workforce development system. The recommendations of the Panel have also provided a framework for legislation responding to the federal Workforce Investment Act.
- *Local Action.* The Panel's work helped spark action at the local level. Leaders in the Los Angeles area created an entertainment technology academy in Santa Monica, which required structural re-alignment of Employment Training Panel rules driven by

- industry training needs. Other examples include the creation of a Telecommunications Council in San Diego and the SMILE program in San Mateo, which involved at-risk youth in developing and managing computer systems in public libraries.
- *Inter-regional Collaboration.* The Panel process helped spark collaboration among regions, such as the SkillsNet initiative for multimedia training, which involved Los Angeles and the Bay Area.
- *National and International Recognition of California.* The Panel's work communicated to national and international audiences at a critical time that something good was happening in California. In addition, the work of the Panel and the focus of the UC system on innovation has resulted in San Diego being selected by the U.S. Council on Competitiveness as one of six regions nationally for an in-depth study of "regional clusters of innovation," working with the San Diego Regional Economic Development Corporation and other partners.
- *Re-definition of Economic Development.* The Panel's framework (i.e., regions, industry clusters and collaboration) and findings about the new economy, have been increasingly accepted by important constituencies, such as local economic development professionals, small businesses and community colleges. Nine bills in the 1997 and 1998 and eight bills in the current legislative session referenced or were guided by the Panel's work in areas such as workforce development, international trade, regional transportation and economic data and information. The Panel's report was also referenced by the California Public Utilities Commission regarding the telecommunications industry.